LAWSON Products

Investor Presentation

First Quarter 2019

Presenters: Michael DeCata, President & CEO
Ronald Knutson, EVP & CFO

"Safe Harbor" Statement under the Securities Litigation Reform Act of 1995:

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. The terms “may,” “should,” “could,” “anticipate,” “believe,” “continues,” “estimate,” “expect,” “intend,” “objective,” “plan,” “potential,” “project” and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. These statements are based on management’s current expectations, intentions or beliefs and are subject to a number of factors, assumptions and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Factors that could cause or contribute to such differences or that might otherwise impact the business include: failure to retain a talented workforce including productive sales representatives; the inability of management to successfully implement strategic initiatives; failure to manage change; the ability to adequately fund our operating and working capital needs through cash generated from operations; the ability to meet the covenant requirements of our line of credit; disruptions of the Company’s information and communication systems; the effect of general economic and market conditions; inventory obsolescence; work stoppages and other disruptions at transportation centers or shipping ports; changing customer demand and product mixes; increases in commodity prices; violations of environmental protection regulations; a negative outcome related to tax matters; and, all other factors discussed in the Company’s “Risk Factors” set forth in its Annual Report on Form 10-K for the year ended December 31, 2018.

The Company undertakes no obligation to update any such factors or to publicly announce the results of any revisions to any forward-looking statements contained herein whether as a result of new information, future events or otherwise.

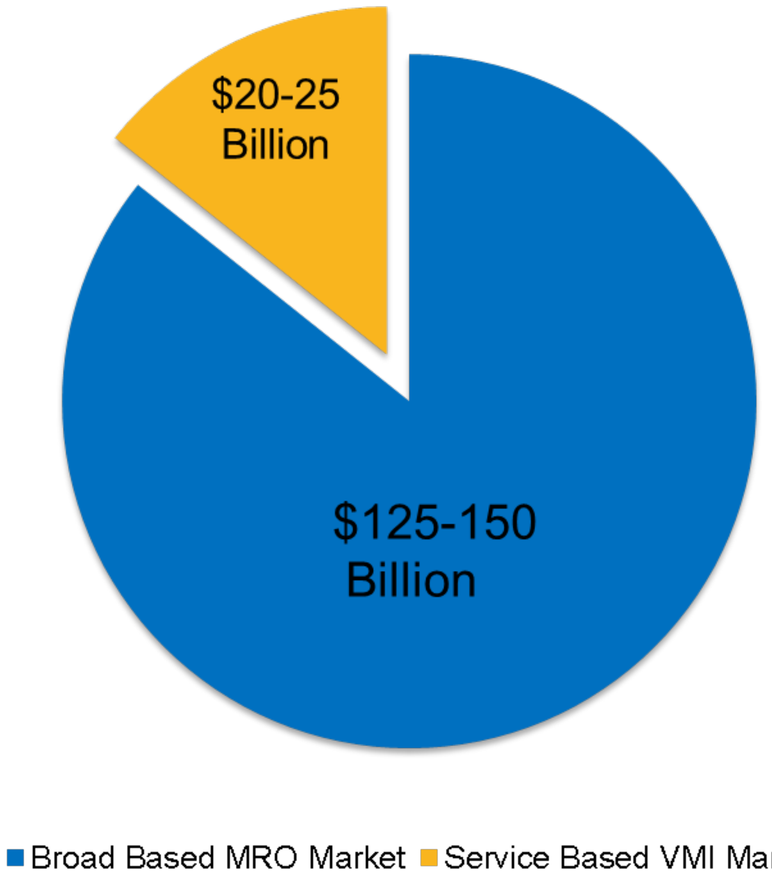
Lawson Products: At a Glance

- **Leading service based provider of consumables in MRO market**
- **Serves industrial, commercial, institutional and government markets in all 50 states, Canada, Mexico, Puerto Rico and the Caribbean**
- **Headquartered in Chicago, IL**
  - Strategically located distribution centers
  - Workforce ~1,600 (~ 1,000 sales reps)
- **Supplies a comprehensive line of products to the MRO marketplace**
- **VMI and private label drives high gross margins**

Fasteners	Cutting Tools	Chemicals	Hydraulics	Other
				

Competitive Advantages and Differentiators

"Not the Typical MRO Distributor"



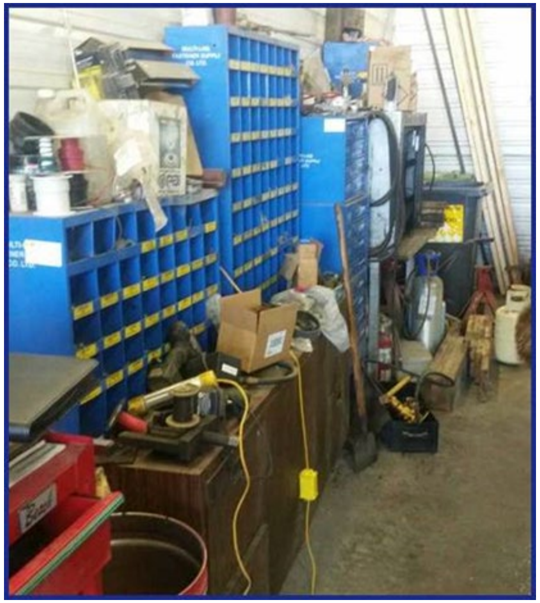
<u>What differentiates Lawson:</u>

- Service intensive "high touch" value proposition
- Vendor managed inventory or "keep fill"
- Deep product knowledge
- Broad geographic sales and service coverage throughout the US and Canada
- Leverage investments in sales team, facilities and technology to enable outstanding customer service
- Lowest total cost

Our Commitment to our 70,000+ Customers

High touch service and technical expertise drives customer relationships

Before

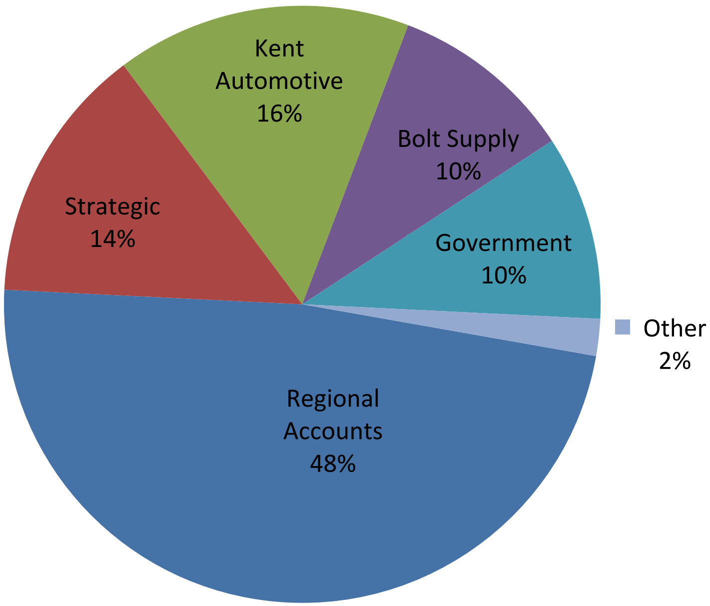


After

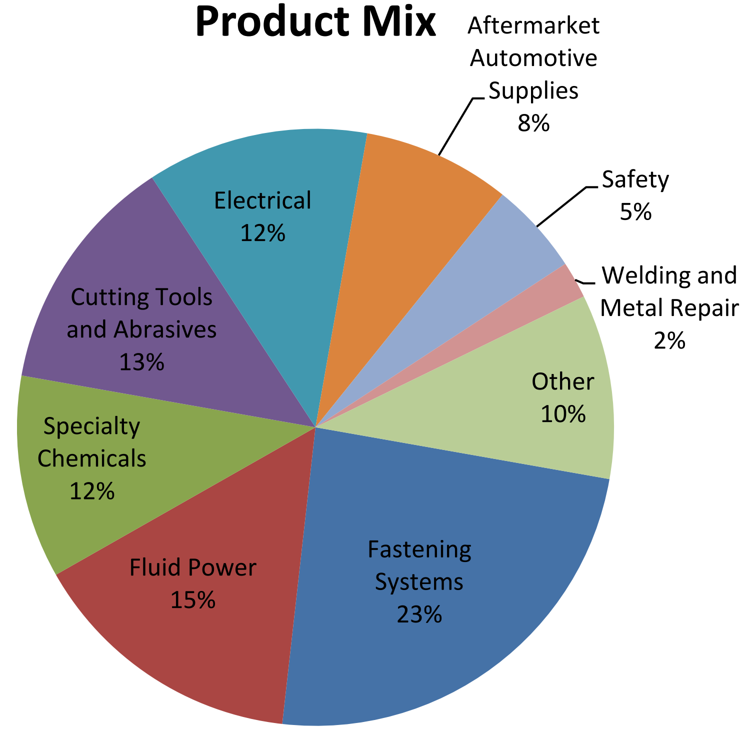
One Company, Zero Headaches	Inventory Management Options	Access to Industry Knowledge & Expertise
• Comprehensive line of products	• Lawson Managed Inventory	• Product recommendations from your Lawson Representative
• Hundreds of pre-built assortments	• Industrial vending	• Application advice from our test and application engineers
• Unlimited sourcing of hard-to-find items	• Self-service inventory management	• Complimentary on-site safety & product usage training

Customer and Product Profile

Customer Mix



Product Mix



Retain over 90% of customer revenues from year to year

Lawson Growth Strategy

Sales Growth Driven By

New Sales Reps

Sales Rep Productivity

Acquisitions

Foundational Support

ERP	Network Optimization	Sales Transformation	Lean Six Sigma	Website

2019 Focus: Actions Across the Value Chain Driving Growth

Add New Sales Reps and Drive Rep Productivity

Sales Process / Sales Reps

- Increase sales rep count
- Onboarding process/training
- Sales Management dashboard
- EDI with customers

Customer Service / Order Entry

- Reduction of cycle times
- Order pad
- Consolidation of shipments
- Sales service reps

Product Management / Pricing

- Leverage vendor drop-ship programs
- Fleet maintenance focus
- Pricing enhancements
- Website

DC Operations

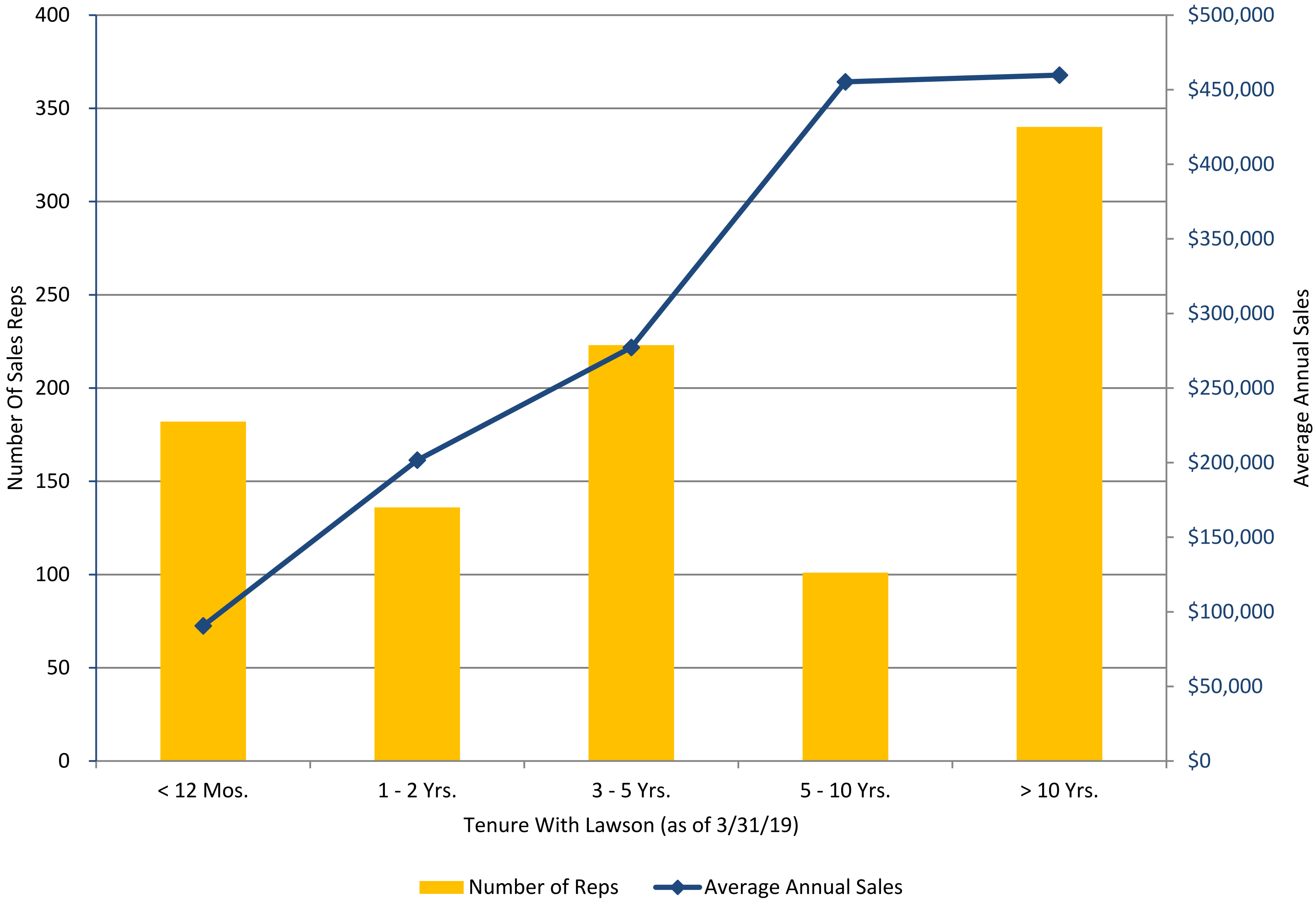
- Reduce cycle time
- Refine “Pull” strategy
- Freight enhancements
- Minimize backorders
- Improve service levels
- Forecasting tool

Sourcing / Purchasing

- Supplier negotiation process
- Vendor metrics
- Electronic communication

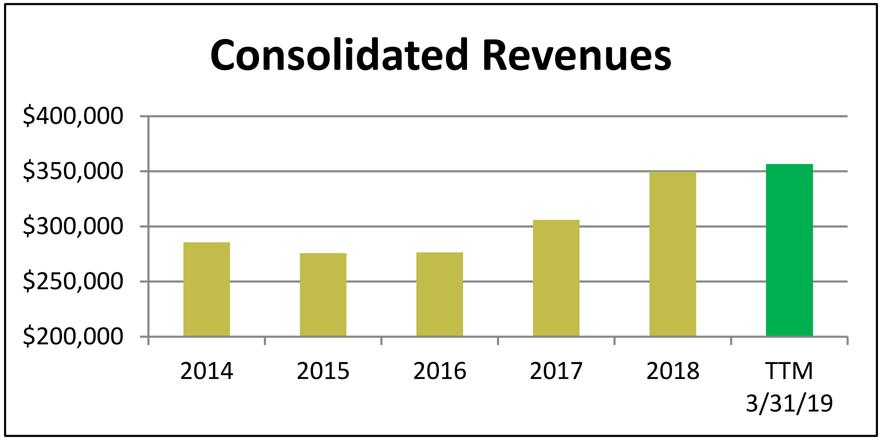
Information Technology – Integration of Web and SAP
Lean Six Sigma

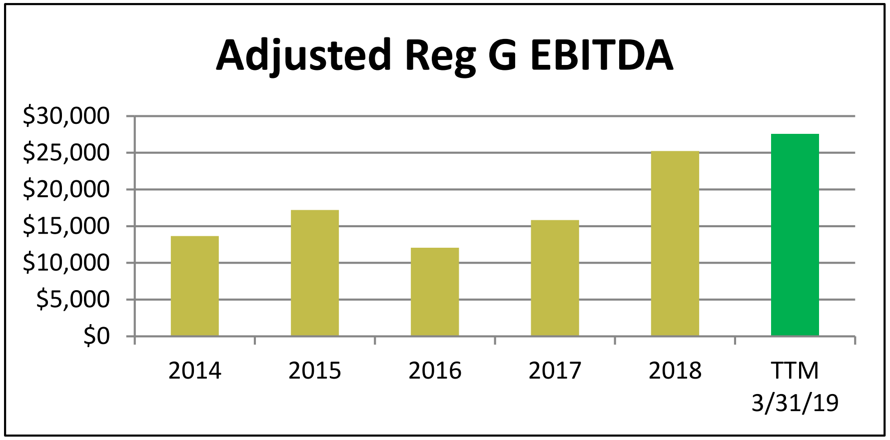
Longer Sales Rep Tenure Drives Rep Productivity

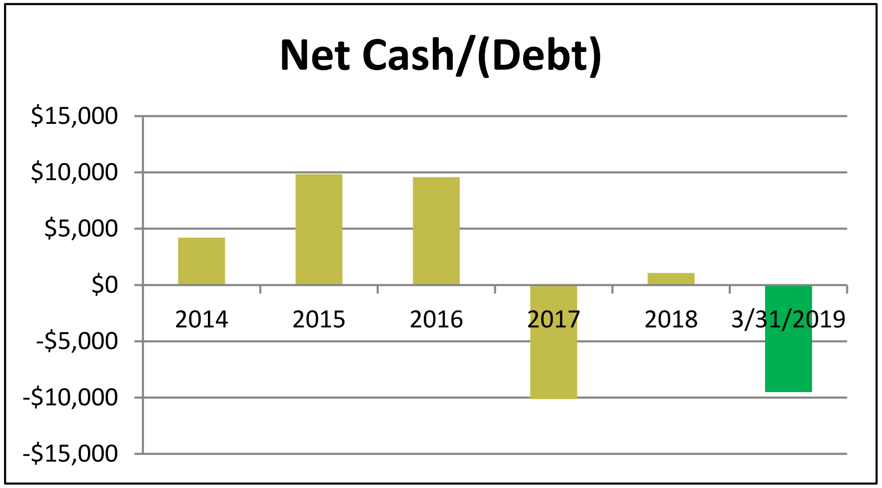


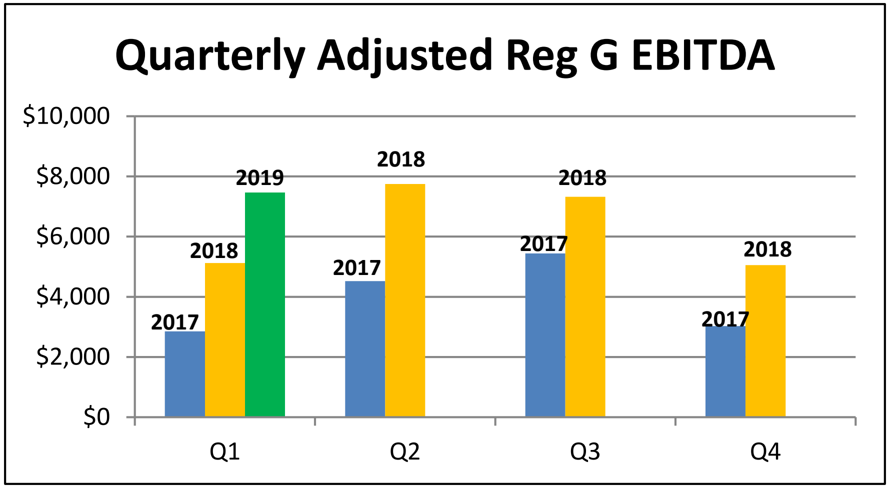
Historical Financial Performance

Recent sales growth and earnings expansion providing financial flexibility









Financial Highlights for First Quarter 2019

- **Sales increased 8.2% YOY**

- **Strong gross margins**

- **Adjusted Reg G EBITDA margin improving**
  - ✓ 8.2% in Q1 2019 v. 6.1% in Q1 2018
  - ✓ Continued investment in new sales reps and rep productivity
  - ✓ Disciplined cost control; i.e., Alberta distribution center

- **Key trends**
  - ✓ Nearly 45% MRO operating leverage; 4.4% increase in sales rep productivity
  - ✓ Strategic account sales increased 9.7% YOY; approximately 15% of MRO business
  - ✓ Continued government strength; +24% YOY
  - ✓ All segments and all product categories grew

Capital Allocation Priorities

Maintain Strong Balance Sheet	• Net debt to TTM Adjusted EBITDA 0.4x at 3/31/19; target < 3.0x • Consistent free cash flow generation • $40 million credit facility in place
Reinvest for Growth	• Capital expenditures expected to be $2.5 - $3.0 million in 2019 • Growth initiatives: add new reps and increase sales rep productivity • Increased customer retention by 100 basis points over past few quarters
Pursue Disciplined M&A	• Bolt-on acquisitions to enhance core growth strategies • Closed Screw Products Inc. acquisition on 10/1/18
Return Capital	• Share repurchase to offset award dilution; opportunistic purchases • $7.5 million stock repurchase program announced on 5/16; expected to be completed next two to three years

Lawson Products: Poised for Growth

- ***Leverage Current Infrastructure***
- ***Continued Sales Growth***
- ***Foundational Investments Completed***
- ***Operational Excellence***
- ***Large Fragmented Market***

For More Information

Contact:

Ronald J. Knutson
EVP, CFO
Investor Relations
(773) 304-5665
ron.knutson@lawsonproducts.com

And see our Website at
http://www.lawsonproducts.com/company-info/investor-relations.jsp

Appendices

Significant Activities

August 2011	➢Implemented SAP
October 2011	➢Commenced construction of new McCook, Ill distribution center
May 2012	➢Relocated corporate headquarters
June 2012	➢Restructured senior team. Announced $20M cost savings plan
August 2012	➢Transitioned packaging facility to McCook, Ill distribution center ➢Entered into new five-year $40M credit facility
October 2012	➢Announced new CEO and President, Michael G. DeCata ➢Consolidated Vernon Hills distribution center into McCook, Ill
November 2012	➢Rolled out new website to existing web customers
December 2012	➢Completed transition of U.S. independent agents to employees
April 2013	➢Roll-out of new website to new web customers
April/May 2013	➢McCook DC begins to ship customer orders
November 2013	➢Entered into sub-lease of headquarters space to generate $2.9M of future cash savings
December 2013	➢Ended year with over 800 sales reps – First increase in 8 years
February 2014	➢Closed on Automatic Screw Machine Products sale for net proceeds of $12.1M
June 2014	➢Entered into sale-leaseback of Reno distribution facility for net proceeds of $8.3M
December 2014	➢Ended year with over 900 sales reps
February 2015	➢Held North American sales meeting
September 2015	➢Completed West Coast Fasteners acquisition
March 2016	➢Completed Perfect Products of Michigan acquisition
May 2016	➢Completed F. B. Feeney acquisition
June 2016	➢Expanded sales team to over 1,000 sales reps
September 2016	➢Extended credit facitlity to August, 2020
November 2016	➢Completed Mattic Industries acquisition
March 2017	➢Consolidated Fairfield, NJ distribution operations into McCook, Ill and Suwanee, GA
May 2017	➢Sold Fairfield, NJ distribution center for a gain of $5.4M
October 2017	➢Completed Bolt Supply House acquisition
April 2018	➢Opened MRO distribution center in Calgary, Canada
October 2018	➢Completed Screw Products acquisition and added Bolt Supply branch

Regulation G – GAAP Reconciliation

Non GAAP Reconciliation of Adjusted EBITDA to Sales Percentage

The Company reports its financial results in accordance with U.S. generally accepted accounting principles (GAAP). However, the Company's management believes that certain non-GAAP financial measures may provide users of this financial information additional meaningful comparisons between current results and results in prior operating periods. Management believes that these non-GAAP financial measures can provide additional meaningful reflection of underlying trends of the business because they provide a comparison of historical information that excludes certain non-operational, non-recurring or intermittently recurring items that impact the overall comparability. See the table below for supplemental financial data and corresponding reconciliations to GAAP financial measures for quarterly adjusted EBITDA as a percentage of net sales. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company's reported results prepared in accordance with GAAP.

($ in thousands)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Net Sales	$ 74,617	$ 75,006	$ 75,651	$ 80,633	$ 84,459	$ 90,382	$ 88,530	$ 86,266	$ 91,343
Operating Income (Loss)	712	7,891	1,090	243	1,837	5,554	(2,266)	4,085	5,544
Depreciation & Amortization	1,705	1,644	1,591	1,830	1,686	1,679	1,755	1,735	1,478
EBITDA	2,417	9,535	2,681	2,073	3,523	7,233	(511)	5,820	7,022
Excluded Costs									
Severance	465	(9)	139	144	628	64	31	126	27
Stock Based Compensation (Benefit)	(30)	415	2,337	384	970	87	7,637	(1,186)	408
Acquisition Related Costs	-	-	286	425	-	-	168	62	-
Loss/(Gain) on Disposal of Property	-	(5,422)	-	-	-	-	-	-	-
Lease termination gain	-	-	-	-	-	(164)	-	-	-
Discontinued operation accrual	-	-	-	-	-	529	-	-	-
Building Impaiment	-	-	-	-	-	-	-	231	-
Adjusted EBITDA	$ 2,852	$ 4,519	$ 5,443	$ 3,026	$ 5,121	$ 7,749	$ 7,325	$ 5,053	$ 7,457
Adjusted EBITDA % of Sales	*3.8%*	*6.0%*	*7.2%*	*3.8%*	*6.1%*	*8.6%*	*8.3%*	*5.9%*	*8.2%*

Quarterly Results

	(Dollars in thousands) Three Months Ended				
	Mar. 31 2019	Dec. 31 2018	Sep. 30 2018	Jun. 30 2018	Mar. 31 2018
Average daily net sales	$ 1,450	$ 1,414	$ 1,405	$ 1,412	$ 1,341
Year over year increase	8.2%	7.0%	17.0%	20.5%	15.0%
Sequential quarter increase (decrease)	2.5%	0.6%	(0.5%)	5.3%	1.4%
Net Sales	$ 91,343	$ 86,266	$ 88,530	$ 90,382	$ 84,459
Gross profit (1)	48,923	46,083	48,108	49,131	46,218
Gross profit percentage (1)	53.6%	53.4%	54.3%	54.4%	54.7%
Selling, general & administrative expenses	$ 43,379	$ 41,998	$ 50,374	$ 43,577	$ 44,381
Operating income (loss)	$ 5,544	$ 4,085	$ (2,266)	$ 5,554	$ 1,837

(1) Reflects the adoption of ASC 606 – Revenue Recognition effective January 1, 2018 including the classification of certain service selling costs as a reduction of gross profit.

Consolidated Balance Sheet

	March 31, 2019	December 31, 2018
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,603	$ 11,883
Restricted cash	800	800
Accounts receivable, less allowance for doubtful accounts of $538 and $549, respectively	43,973	37,682
Inventories, net	53,818	52,887
Miscellaneous receivables and prepaid expenses	5,393	3,653
Total current assets	107,587	106,905
Property, plant and equipment, net	17,923	23,548
Deferred income taxes	19,174	20,592
Goodwill	20,451	20,079
Cash value of life insurance	13,175	12,599
Intangible assets, net	13,016	13,112
Lease assets	12,262	—
Other assets	296	307
Total assets	$ 203,884	$ 197,142
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Revolving lines of credit	$ 13,131	$ 10,823
Accounts payable	14,848	15,207
Lease obligation	4,168	—
Accrued expenses and other liabilities	29,044	40,179
Total current liabilities	61,113	66,209
Security bonus plan	12,320	12,413
Lease obligation	11,238	5,213
Deferred compensation	5,940	5,304
Deferred tax liability	2,833	2,761
Other liabilities	3,843	6,069
Total liabilities	97,287	97,969
Stockholders' equity:		
Preferred stock, $1 par value:		
Authorized - 500,000 shares, issued and outstanding — None	—	—
Common stock, $1 par value:		
Authorized - 35,000,000 shares	9,012	9,006
Issued - 9,012,236 and 9,005,716 shares, respectively		
Outstanding - 8,962,450 and 8,955,930 shares, respectively		
Capital in excess of par value	16,283	15,623
Retained earnings	83,421	77,338
Treasury stock – 49,786 shares	(1,234)	(1,234)
Accumulated other comprehensive loss	(885)	(1,560)
Total stockholders' equity	106,597	99,173
Total liabilities and stockholders' equity	$ 203,884	$ 197,142

LAWSON Products